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October 7, 2008

RECEIVED

OCT 14 2008

PUBLIC SERVICE
COMMISSION

Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: The Application of Big Rivers Electric Corporation for: (i) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (ii) Approval of Transactions, (iii) Approval to Issue Evidences of Indebtedness, and (iv) Approval of Amendments to Contracts; and of E.ON U.S. LLC, Western Kentucky Energy Corp., and LG&E Energy Marketing, Inc. for Approval of Transactions
Case No. 2007-00455

Dear Ms. Stumbo:

Enclosed please find and accept for filing the original and ten copies of the Joint Applicants' October 7, 2008 Supplemental Status Report in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions please contact me at your convenience.

Yours very truly,

Kendrick R. Riggs

KRR:ec
Enclosures
cc: Parties of Record

400001.358719/545016.1

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR)
(I) APPROVAL OF WHOLESALE TARIFF)
ADDITIONS FOR BIG RIVERS ELECTRIC)
CORPORATION; (II) APPROVAL OF)
TRANSACTIONS; (III) APPROVAL TO ISSUE)
EVIDENCES OF INDEBTEDNESS; AND) **CASE NO. 2007-00455**
(IV) APPROVAL OF AMENDMENTS TO)
CONTRACTS; AND OF E.ON U.S., LLC,)
WESTERN KENTUCKY ENERGY CORP.,)
AND LG&E ENERGY MARKETING,)
INC. FOR APPROVAL OF TRANSACTIONS)

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OCTOBER 7, 2008 SUPPLEMENTAL STATUS REPORT

The Applicants (“Applicants”), Big Rivers Electric Corporation (“Big Rivers”), E.ON U.S. LLC (“E.ON U.S.”), Western Kentucky Energy Corp. (“WKEC”) and LG&E Energy Marketing, Inc. (“LEM,” and collectively with E.ON U.S. and WKEC, the “E.ON Parties”), make this supplemental status report filing, through counsel, to comply with their commitment to do so in their September 8, 2008 Supplemental Status Report (“Status Report”) in this proceeding.

In the Status Report, Big Rivers and the E.ON Parties reviewed the status of the three outstanding lease and leaseback transactions (“Leveraged Leases”).¹ On September 30, 2008, Big Rivers successfully terminated the three remaining Leveraged Leases held by Philip Morris

¹ On April 18, 2000, Big Rivers consummated five virtually identical lease and leaseback transactions of its ownership interest in (i) D. B. Wilson Unit No. 1 (ii) Plant Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units, and used in the operation of both Green Units. Approval to enter into the Leveraged Leases was granted by the Commission in its orders of November 24, 1999 and March 29, 2000 in Case No. 99-450, *In the Matter of: Big Rivers Electric Corporation's Application for Approval of a Leverage Lease of Three Generating Units*. Bank of America Leasing Corporation was the other original equity party to the Leverage Lease transaction and held two of the five Leveraged Leases. As previously reported to the Commission, on June 30, 2008, those two leases were terminated, leaving then Phillip Morris Capital Corporation as the only remaining equity party to the Leverage Leased transaction.

Capital Corporation through its subsidiary Bluegrass Leasing (collectively “PMCC”). Big Rivers has kept the Commission informed of this transaction through numerous filings in this record and emails to and phone conferences with the Staff Counsel and parties to the case. Big Rivers will file the final transaction documents with the Commission by October 10, 2008.

With the termination of the three Leveraged Leases held by PMCC, none of the Leverage Leases now survive; the issues related to the credit down rating of Ambac Assurance Corporation are completely resolved; the parties involved in Big Rivers’ credit arrangements solely because of the Leveraged Leases are now removed from those credit arrangements; and a number of issues and documents previously presented to the Commission in this matter can be eliminated.

Following the consummation of the early termination of the Leveraged Leases held by PMCC on September 30, 2008, the E.ON Parties, Big Rivers and the two smelters met on October 2nd and 3rd for the purpose of completing their final negotiations. These parties have now agreed in concept to all of the remaining outstanding issues and are in the process of completing the necessary documents to evidence those agreements. The E.ON Parties and Big Rivers expect to file an amended application with the Commission on October 9, 2008, proposing a procedural schedule that will include a hearing during the week of December 1st and a request for an order by January 26, 2009. An order by January 26, 2009 will allow the parties to close the transaction on February 28, 2009.

Should the Commission have any questions at any time about the contents of this Supplemental Report or the status of the transaction, please contact us at your first convenience.

Dated: October 7, 2008

Jim Miller (with permission) JRM

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing October 7, 2008 Supplemental Status Report was served via U.S. mail, first-class, postage prepaid, this 7th day of October 2008, upon the following persons:

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